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SUBJECT: COLOMBIAN TRADE AGENDA: MAJOR ACHIEVEMENTS IN
2008, BIG PLANS FOR 2009

REF: A. BOGOTA 4234
[1](#)B. BOGOTA 4178
[1](#)C. BOGOTA 3786
[1](#)D. BOGOTA 3705
[1](#)E. BOGOTA 2706

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[1](#)1. (SBU) SUMMARY. In 2008, Colombia made significant progress toward its stated goal of having nine free trade agreements with 45 countries by 2010. In addition to signing free trade agreements with Canada and EFTA, Colombia's Congress ratified FTAs with Central America's Northern Triangle and Chile. Also in 2008, Colombia's Constitutional Court approved the FTA with the U.S., and Colombia made solid progress in negotiations with Mexico and the EU. Colombia's main trade objectives for 2009 are to conclude FTA negotiations with the EU, reach new (or deepen existing) agreements with several partners in the Hemisphere, and expand dialogue and engagement with Asia. Despite the trade successes, Colombia remains in limbo over prospects for trade enhancement with its two largest trading partners, the U.S. and Venezuela, which account for over one-half of Colombia's exports. END SUMMARY.

URIBE ADMINISTRATION SEEKS BROADER TRADE HORIZONS

[1](#)2. (U) When President Alvaro Uribe came to power in 2002, Colombia had two free trade agreements with five countries (Venezuela, Peru, Ecuador and Bolivia via the Andean Community of Nations (CAN); and Mexico via the G-3). Colombia also enjoyed limited tariff preferences through regional agreements with its neighbors in South and Central America and the Caribbean. The FTA between CAN and Mercosur entered into force in 2005, adding four more countries to Colombia's list of free trade partners. In 2007, 28 percent of Colombian exports went to countries with which it had a free trade agreement. Had all nine FTAs been in force at that time, the figure would have been 84 percent.

CHILE AND NORTHERN TRIANGLE WILL SOON BE IN FORCE

[1](#)3. (SBU) Colombia's new Chief Trade Negotiator, Santiago Pardo, told us he expects Colombia's Constitutional Court to

approve FTAs with Chile and Central America's Northern Triangle (Guatemala, Honduras and El Salvador) in early 2009, paving the way for the agreements, which were ratified by Congress in 2008, to enter into force by mid-year. Colombia exporters already enjoy broad tariff-free access to the Chilean market; the FTA adds provisions for services, investment and IPR. Colombia's previous trade agreement with Central America, signed in 1984, was much more limited in scope than the new FTA.

COLOMBIA SIGNS WITH CANADA AND EFTA IN 2008

¶4. (U) In November, Colombia signed FTAs with Canada and the European Free Trade Area countries (Switzerland, Norway, Iceland and Liechtenstein; Refs A and B). While the five countries combine for only four percent of Colombia's exports and three percent of Colombia's imports, their share of Colombia's trade has been growing consistently over the last several years, and the FTAs offer Colombia the opportunity to further expand trade. According to Pardo, the Canada FTA will offer greater possibilities for Colombia to export textiles, industrial goods, fruits, sugar and ethanol. Likewise, the Colombians see the agreement with EFTA as an opportunity to increase exports of remanufactured industrial goods, precious stones and plastics in addition to the tariff reductions won on traditional agricultural Colombian exports, including coffee, bananas and flowers. Both FTAs await Congressional ratification and Constitutional Court approval before entering into force, possibly in late 2009, but more likely in 2010.

EU NEGOTIATIONS PRIORITY NUMBER ONE FOR 2009

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¶5. (SBU) 2008 saw the bloc-to-bloc CAN-EU talks stall. In a major victory for Colombia, the EU agreed to abandon that format and negotiate free trade agreements with willing Andean countries (Ref D). According to Pardo, Colombia is anxious to start negotiating with the EU in February, 2009, following what it considers a "wasted" final six months of ¶2008. Pardo estimated that the two sides would be able to salvage much from the first three rounds of bloc-to-bloc negotiations and could possibly (though not likely) conclude negotiations in four or five rounds by the end of 2009. The twenty-seven EU members buy about 15 percent of Colombia's exports, and supply over 12 percent of Colombia's imports, meaning that, considered as a single entity, the EU would be Colombia's second largest trading partner, following the U.S.

SHORING UP TRADE IN THE NEIGHBORHOOD

¶6. (SBU) Colombia has had an FTA with Mexico since 1995, when the G-3, which included Venezuela, came into force. Nonetheless, Colombia and Mexico are in negotiations to broaden the scope of the agreement to include textiles, auto parts, and oil seeds as well as certain agricultural and dairy products. Colombia, whose imports from Mexico in 2007 were six times more than its exports (resulting in a bilateral trade deficit of USD 2.5 billion), considers the current agreement to be skewed in Mexico's favor and sees the current negotiations as a way to correct the imbalance.

¶7. (SBU) Beyond the 45 countries covered by the nine FTAs, Pardo said Colombia is looking to reach a more limited agreement with the Dominican Republic (Colombia's 11th largest export market) to include chapters on goods, services and investment. Similarly Colombia is interested in deepening its limited agreements (though likely not to the point of FTAs) with Caricom members and Costa Rica.

ASIA: COLOMBIAN TRADE'S NEXT FRONTIER

¶8. (SBU) While there are no Asian countries in the 45 set to have an FTA with Colombia by 2010, Colombia nonetheless has its sights set on its partners across the Pacific. Colombia makes no secret of its desire to join APEC as soon as possible and signed a bilateral investment treaty with China in November on the margins of the APEC Summit (Ref B). Colombia wants to become a member of the Trans-Pacific Strategic Economic Partnership (P4) and has requested to join the U.S., Australia and Peru when those three countries begin to negotiate their entry with the current members (Brunei, Chile, New Zealand and Singapore).

¶9. (SBU) Colombia is close to concluding bilateral investment treaties with South Korea and India, and Pardo said he expects negotiations of a bilateral investment treaty with Japan (set to begin in January 2009) to proceed quickly. Pardo noted that in the cases of South Korea and Japan, FTAs are likely on the horizon. Preliminary talks with South Korea point to potential Colombian export growth in traditional sectors, such as flowers, coal, and coffee, as well as non-traditional products, including ceramic tiles, fungicides, palm oil, and bovine semen. In the case of an FTA with Japan, Colombia envisions expanded exports of sugar refinery parts, animal fats, fruits, vegetables, and other food and agricultural products.

THE ELEPHANT IN THE ROOM: THE U.S.

¶10. (SBU) The U.S., of course, is one of the 45 countries with which Colombia hopes to have an FTA. The U.S. is Colombia's largest trading partner, though its share of both Colombian imports (26 percent in 2007) and exports (34 percent) have been declining over the last several years. In July 2008, Colombia's Constitutional Court approved the U.S.-CTPA, clearing the final hurdle from the Colombian side (Ref E). GOC and Colombian private sector leaders, while

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frustrated at the lack of action on the part of the U.S. Congress, have reluctantly accepted the notion that the agreement is caught up in U.S. domestic politics, with no present end in sight. While they recognize that getting the agreement approved will require additional GOC commitments, particularly on the issue of labor violence, they are steadfast in insisting that the text not be re-opened. Both Trade Minister Luis Guillermo Plata and private sector leader Luis Carlos Villegas have told us privately that re-negotiation of the text would be a non-starter due to Colombian political sensitivities. "We cannot go back to our Congress for a third time" Plata noted.

THE OTHER ELEPHANT IN THE ROOM: VENEZUELA

¶11. (SBU) The reason the nine FTAs only cover 45 countries, instead of 46, is the problematic relations Colombia has with its second largest trade partner, Venezuela. Venezuela announced its withdrawal from both the CAN and the G-3 in ¶2006. Venezuela remains bound by its CAN commitments for five years from its announced withdrawal, but Colombia has been continually frustrated in its attempts to establish rules of the game, post-2011 (Ref C). Minister Plata regularly bristles over the fact that, despite repeated requests, he has never been granted a meeting by BRV counterpart William Contreras. Venezuela bought 18 percent of Colombia's exports in 2007, but only supplied four percent of its imports, which helps to explain the Venezuelan Government's lack of enthusiasm for trade discussions. Trade relations with Venezuela will likely remain a principal GOC headache for the foreseeable future, and, along with uncertainty over the U.S.-CTPA, dull what otherwise has been a lustrous Colombian trade agenda.

NICHOLS